

HOUSE BILL REPORT

HB 3015

As Reported by House Committee On:
Health Care & Wellness

Title: An act relating to establishing an interstate compact for the sale and issue of health benefit plans.

Brief Description: Establishing the interstate health insurance compact act.

Sponsors: Representatives Cody, Ericksen, Eddy, Morrell, Campbell and Wallace.

Brief History:

Committee Activity:

Health Care & Wellness: 1/28/10, 2/2/10 [DPS].

Brief Summary of Substitute Bill

- Authorizes the Office of the Insurance Commissioner to enter into a compact with other states for the purpose of permitting the sale of small group health benefit plans across state lines.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Cody, Chair; Driscoll, Vice Chair; Campbell, Clibborn, Green, Herrera, Hinkle, Kelley, Moeller, Morrell and Pedersen.

Minority Report: Do not pass. Signed by 2 members: Representatives Ericksen, Ranking Minority Member; Bailey.

Staff: Dave Knutson (786-7146).

Background:

Under current law, health carriers may only sell policies to individuals who reside or work in the state in which the company is licensed (although large insurers license products in every state). For example, a Washington resident has no choice but to purchase a policy from a carrier licensed in this state and the carrier can only sell that resident a policy compliant with

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all the state's mandates as well as its guaranteed issue and community rating requirements. Because of the variation in state requirements regarding guaranteed issue, mandates, and rating rules, as well as state demographics, there is a tremendously wide price variation in health benefit policies across state lines. Proposals to allow the purchase of health benefit plans across state lines are based on the assumption that state mandated benefits, state rating rules, and state regulatory requirements affect pricing and result in decreased uptake of insurance by price-sensitive consumers.

For example, a recent nationwide survey found annual premiums averaged \$5,326 for single coverage in New Jersey in the 2006-2007 period, but only \$1,254 in Wisconsin. Contrast the cost of a New Jersey individual policy – \$5,326 – with that of a Connecticut policy, where the average cost would be much lower, \$3,326. The national average cost of such a policy was \$2,613.

Allowing the purchase of health benefit plans across state lines may create a national market for health benefit plans and allow for greater competition by insurers, a greater choice in the types of plans available to individuals, and potentially lower prices as a result of decreased mandates, less-expensive rating rules, and a more favorable regulatory environment. Supporters point to historical analogies such as Delaware corporate chartering, dual banking charters, regional compacts for banking, the Risk Retention Act, regulation of surplus lines insurance, and association health plans.

Consumer advocates have historically raised concerns about the effect of purchasing health benefit plans across state lines by circumventing state consumer protections and producing a regulatory "race to the bottom," with insurers selecting the least regulated state with the fewest mandates as their primary state. Another possible effect on consumers could be insurers remaining in states with more mandates will necessarily be forced to increase costs as a result of individuals requiring those mandated benefits remaining in the secondary state's pool, thereby increasing adverse selection.

Summary of Substitute Bill:

The Office of the Insurance Commissioner (OIC) is authorized to enter into a compact with other states for the purpose of permitting the sale of private health benefit plans across state lines. Washington is deemed the primary state for the purpose of organizing and administering the compact. Any state is eligible to become a compacting state if approved by the primary member of the compact. Carriers offering qualifying plans in Washington must comply with state laws related to market conduct, unfair trade practices, network adequacy, consumer protection standards, grievance and appeals, and fraud. Carriers may offer health benefit plans in Washington if:

- the plan is approved as to form by one of the compacting states;
- the premium for the qualifying plan is approved in one of the compacting states; and
- the carrier complies with the requirements of the compact.

Carriers are required to provide a side-by-side comparison explaining the difference between each qualifying plan's requirements, conditions, and benefits, compared to the requirements for health benefit plans for the compacting state.

The definition of a "qualifying plan" is a health benefit plan for the small group market that complies with its state-of-origin's requirements as to rate and form, and has been approved by that state's insurance regulator to be offered and issued in that state.

Substitute Bill Compared to Original Bill:

Health benefit plans may be sold across state lines but are limited to private health benefit plans available for purchase in the state of origin. The substitute bill provides that health carriers domiciled in other states who sell health benefit plans will comply with all requirements related to support of the Washington State Health Insurance Pool.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Small employers want to offer health coverage for their employees but it is becoming increasingly difficult to do so. Costs of health coverage continue to rise faster than inflation and small employers cannot keep absorbing cost increases. More affordable health benefit plans must be made available. Allowing small employers to purchase health benefit plans across state lines will increase competition and put downward pressure on health care coverage.

(Neutral) The Insurance Commissioner will have the final say on what states can participate in the interstate compact.

(Opposed) Consumers would be harmed if they purchased an out-of-state health benefit plan and the health carrier did not comply with consumer protection requirements. Out-of-state plans would not be required to comply with all the mandates that current Washington health benefit plan holders have access to.

Persons Testifying: (In Support) Donna Steward, Association of Washington Business; Don Conant, Valley Nut and Bolt; Karen Evans, Aptech Systems; Patrick Connor, National Federation of Independent Business; Lonnie Yates, Total Transport Services; Ross Irwin, Cabinets by Trivonna; Jim Spady, Dick's Drive-In Restaurant; Dean Hartman, Capitol Business Machine; Natalie McNair-Huff, TrueBlue; and Paul Guppy, Washington Policy Center.

(Neutral) Mary Clogston, Office of the Insurance Commissioner.

(Opposed) Kelly Haughton; Melanie Stewart, American Massage Therapy Association Washington Chapter, Washington Podiatric Medicine Association, and Washington Mental Health Counselors Association; Leslie Emerich, Washington Acupuncture and Asian Medicine Association, Home Care Association of Washington, and Washington State Hospice and Palliative Care Organization; and Lori Bielinsky, Washington State Chiropractic Association.

Persons Signed In To Testify But Not Testifying: Scott Dahlman, Washington State Farm Bureau; and Carolyn Logue, Washington Food Industry.